Laddonia

MINIMUM PRICE

What is a minimum price contract?

The **POET Minimum Price** contract allows you to sell your corn today for an accepted floor price while still enabling you to participate in the futures market.

This option is beneficial to those of you who are seeking to lock in a floor price, but believe that there is upside potential in the futures market.

Advantages:

- **Cash Price is set, along with quantity, floor price and option month**
- **Allowed to participate in future board rallies**
- **Producer can execute on the any board rallies at any time throughout the option month period.**
- **Receive full value @ the time of execution for the call.**

Disadvantages:

- **A fee to purchase the option is taken off the original cash price, prices varies.**
- **Requires 5000 bushel increments**

How it works:

A Minimum price contract will allow you to deliver now, and get paid now for the Minimum price that was locked in; all while still having the potential to take unlimited upside gains later. This option allows you to still participate in any upside market potential, while delivering bushels at a time convenient for you. We do this by buying a out of the money call for you.

Example:
The current cash bid is $6.99, and you select the December strike price of $.7.10, which has a $. 26 cent investment cost.

Here's the math:

Current Cash Price	$6.99
Min. Price Investment	- 0.26
Cash Price	$6.73

You will be paid $6.73 upon delivery of the grain, the December $7.10 strike price has an expiration date of 11/25 ; if at anytime up to that date the December futures climb above $7.10, you can choose to execute the option and take any gains.

Here are a couple of different scenarios that could take place:

Scenario #1:

Expiration Date: 11/25

Strike Price: $7.10

On 11/25 the market closes at $7.02 Dec futures. Since we are below the $7.10 strike price, there are no gains to be had. The option will expire worthless.

Scenario #2:

Expiration Date: 11/25

Strike Price: $7.10

On 11/25, the market closes at $7.40 Dec futures. The closing price is .30 above the strike price. You will have a check cut for the additional $.30/bu.

Scenario #3:

Expiration Date: 11/25

Strike Price: $7.10

It is Oct 18th and the market is up and the Dec futures are trading at $7.35 bu. Rather than risk waiting until the expiration date, you decide to call in and execute your option early. And gain that .25 cents/ bu.

Keys to Remember:

- You may execute your option at any point up to option expiration, **but you must call to do so.**
- Option must be executed at or above the strike price
- If not executed, the option will expire worthless (zero gain)

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